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CENTRAL INTELLIGENCE AGENCY

10 September 1956

MEMORANDUM FOR: Mr. Allan Evans (OIR)  
Colonel H. J. Lemley, Jr., USA (ACSI)  
Captain W. S. Howell, USN (ONI)  
Colonel W. B. Sawyer, USAF (AFOIN 2B2)  
Colonel C. H. Dayhuff, Jr., USA (JIG)

SUBJECT: Terms of Reference NIE 34-56: THE OUTLOOK FOR IRAN

1. The attached terms of reference were agreed on at the meeting of the IAC representatives on 7 September.
2. All agencies are invited to contribute to any section within their competence to do so.
3. It is requested that contributions be received in this office by the close of business on Friday, 28 September.

*William P. Bundy*  
WILLIAM P. BUNDY  
Deputy Assistant Director  
National Estimates

Distribution "B"

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10 September 1956

SUBJECT: TERMS OF REFERENCE: NIE 34-56: THE OUTLOOK FOR IRAN\*

THE PROBLEM

To estimate probable trends in Iran's stability and orientation over the next several years.

I. NATIONAL OBJECTIVES

A. What are the objectives of the present regime? How far are they consistent with those of other groups in Iran?

II. POLITICAL

A. How has the political situation developed over the past two years? What is the role of the Shah? Of other prominent political or military figures? Of the traditional ruling class?

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\* This estimate will supersede NIE 34-54, "Probable Developments in Iran through 1955," 7 December 1954.

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Of the armed forces? How has the government sought to meet the administrative and political problems facing it and how successful has it been? How serious and widespread is criticism of the government and to what extent is it organized? What is the present status of Tudeh and related Bloc subversive activities, of elements associated with the Mossadeq regime, of other potential opposition groups?

B. How stable is the present political pattern likely to be over the next several years? Are there likely to be significant changes in the role of the Shah or other elements in the government? In popular acceptance of the government? Are serious challenges to the regime likely to emerge? Specifically, how vulnerable is the regime to subversive activity? If so, what leadership elements are likely to be involved and with what interests and policies are they likely to be associated? To what extent is the course of political developments likely to be affected by such factors as the rate of progress in economic development, the extent of US material and apparent moral support for Iran and the regime, nationalist and anti-Western currents in the Arab world?

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III. ECONOMIC

A. What is the Iranian economic situation and outlook?

Specifically:

1. How is the oil agreement working out? What are present and probable future levels of oil production and revenue (including exploitation of new fields by NIOC)? What is the potential for further expansion of output in the event that other Middle East production is curtailed? Is the consortium likely to encounter serious difficulties with the Iranian government or its labor force?

2. How effective has the government been in dealing with its financial problems and what are its future prospects?

3. What is the outlook with respect to the development program? What is the record thus far?

4. What is the present and probable future pattern with respect to general levels of economic activity, cost of living, etc? Is serious economic discontent likely to develop?

B. What is the probable magnitude and duration of Iranian dependence on US assistance for budgetary and development purposes? What would be the economic effects of a curtailment of such aid?

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C. What are present and probable future levels of trade with the Bloc? How receptive is Iran likely to be to possible Bloc offers of long-term credits or grants and technical assistance?

IV. FOREIGN AFFAIRS

A. How does the Iranian government view the developing world situation and its position in it? How does it view its relationship with the US, the Baghdad Pact group, the Suez problem, the Arab States, and the West in general? What specific expectations are involved? To what extent are these views and expectations shared by Iranian political and popular opinion?

B. Taking account of probable internal developments, how firm is Iran's commitment to a pro-US, pro-Baghdad Pact policy likely to be over the next several years? How susceptible is it likely to be to neutralist currents of opinion in the Arab-Asian world? To Soviet moves toward rapprochement or a renewal of Soviet pressures? What would be the effect on Iran's orientation and relationship with the US of US unwillingness to meet Iranian expectations regarding material and moral support for Iran and the Baghdad Pact? Of a weakening or collapse of the Baghdad Pact grouping?

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Of a general lessening of Western prestige in the Middle East?  
Are other nations, such as India, West Germany, and the UK, likely to develop significant ties and influence with Iran? What effect would the continuation of present trends on Afghanistan have on Iran?

V. MILITARY

A. What are the present strengths, characteristics, and capabilities of the Iranian armed forces? What are their potential capabilities on the basis of (1) continuation of present levels of US military and direct forces assistance and (2) increased military and direct forces aid? What would be the effect on the characteristics and capabilities of the Iranian armed forces of a sharp reduction in US military aid? How would the Iranian economy be affected by upward or downward shifts in the level of military aid?

VI. POST-MORTEM AND VALIDITY STUDY

A. Were significant intelligence deficiencies and problems encountered in preparation of your contribution? If so, what IAC action do you recommend?

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B. How well did NIE 34-54 (Probable Developments in Iran through 1955, 7 December 1954) stand up? Did it contain any significant estimative misjudgments or omissions?

VII. MAP

A. Do you recommend that the map used for NIE 34-54 be used in the present estimate? If not, what alternative would you suggest? What additional overprint material, if any, should be included?